

Message Text

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TAGS: ELTN, ETRD, KU, US

SUBJ: KUWAIT MINISTRY OF PUBLIC WORKS EXPRESSES UNHAPPINESS WITH
PERFORMANCE OF AMERICAN ROAD CONTRACTORS

1. LOU MCDONALD, CHIEF OF THE DEPARTMENT OF TRANSPORTATION/FEDERAL HIGHWAY ADMINISTRATION (DOT/FHWA) TEAM ACTING AS ADVISORS FOR GOK MINISTRY OF PUBLIC WORKS (MPW) FOR THEIR HIGHWAY PROGRAM, HAS CONVEYED TO ME THE CONCERN EXPRESSED BY MPW UNDE

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SECRETARY AL-ABDUL-RAZAK OVER LACK OF PROGRESS ON KUWAIT MOTORWAYS CONSTRUCTION BEING UNDERTAKEN BY TWO AMERICAN CONSTRUCTION FIRMS. UNDERSECRETARY ALSO EXPRESSED HIS CONCERN ABOUT PERFORMANCE OF A THIRD CONTRACTOR, AN ITALIAN FIRM, WHICH, HOWEVER, MCDONALD SAID, IS DOING BETTER THAN THE AMERICAN FIRMS AT THIS STAGE.

2. THE AMERICAN FIRMS ARE (A) SANGAMO CONSTRUCTION COMPANY OF SPRINGFIELD, ILLINOIS, WHICH IS CONSTRUCTING THE FAHAHEEL EXPRESSWAY (6 KMS IN LENGTH) AT A COST OF APPROXIMATELY \$65 MILLION, AND (B) JOHNSON BROTHERS OF LITCHFIELD, MINNKSOTA, WHICH IS BUILDING THE FIFTH RING MOTORWAY AT A COST OF APPROXIMATELY \$75 MILLION.

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3. BOTH THESE COMPANIES HAVE MADE LITTLE PROGRESS IN THEIR CONSTRUCTION PROJECTS OVER AN INITIAL PERIOD OF SIX TO EIGHT MONTHS5 ACCORDING TO MCDONALD WHO IS RESPONSIBLE TO THE MPW FOR OVERALL SUPERVISION OF HIGHWAY CONSTRUCTION IN KUWAIT.

SANGAMO'S PERFORMANCE HAS DETERIORATED SINCE THE DEATH HERE OF

ITS PREVIOUS PROJECT MANAGER WHO WAS AN AMERICAN. HE CONSIDERS THAT THE PRESENT PROJECT MANAGER, A LEBANESE, IS ONLY MARGINALLY EFFECTIVE AND NOTES THERE IS A DISTINCT ABSENCE OF COMPETENT MIDDLE MANAGERIAL PERSONNEL BETWEEN THE PROJECT MANAGER AND THE FOREMEN. IN HIS VIEW, SANGAMO APPEARS TO BE RELYING TOO MUCH ON A LOCAL KUWAITI SUBCONTRACTOR. MCDONALD ALSO OBSERVED THAT SANGAMO DID NOT APPEAR TO BE FULFILLING A CONTRACT COMMITMENT TO PROVIDE US PERSONNEL IN AT LEAST EIGHT KEY POSITIONS.

4. WHILE THE PERFORMANCE OF THE JOHNSON BROTHERS IS SOMEWHAT BETTER THAN SANGAMO'S, IT, TOO, IS FALLING BEHIND SCHEDULE. THERE IS ALSO SOME QUESTION ABOUT ITS RELATIONSHIP WITH ITS AGENT-PARTNER, UNITED ARAB CONTRACTORS (UNARCO) TO WHICH WAS SUBJECT OF NEGOTIATION BETWEEN JOHNSON BROTHERS AND MPW BEFORE THE CONTRACT WAS AWARDED. MCDONALD STATED THAT UNDERSECRETARY FELT JOHNSON BROTHERS WAS PLACING TOO MUCH RESPONSIBILITY UPON UNARCO, WHICH IS PRECISELY WHAT THEY WERE WARNED AGAINST BY MPW. IN MCDONALD'S VIEW, UNARCO'S PERFORMANCE, AS THOUGH ADEQUATE AMERICAN SUPERVISION, IS THE REASON FOR THE LACK OF SUFFICIENT PROGRESS BEING MADE ON THIS PROJECT.

5. COMMENT: THE AMBASSADOR WELCOMED THE AWARDING OF THESE IMPORTANT MOTORWAY CONTRACTS TO AMERICAN FIRMS AND HAD HOPED THAT THEIR SUPERIOR PERFORMANCE IN COMPARISON TO LOCAL
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CONTRACTORS WOULD PROVIDE AN EXCELLENT EXAMPLE OF AMERICAN COMPETENCE AND EXPERTISE WHICH WOULD ENCOURAGE THE KUWAITIS TO DIRECT MORE OF THEIR BUSINESS TO AMERICAN COMPANIES. THE SUBSTANDARD PERFORMANCE DESCRIBED BY MCDONALD AND THE EXCESSIVE RELIANCE ON LOCAL CONTRACTORS IN THE ABSENCE OF ADEQUATE AMERICAN COMPANY PERSONNEL NOT ONLY REFLECTS UPON THE COMPANIES INVOLVED BUT ALSO ON THE QUALITY OF PERFORMANCE OF ALL AMERICAN COMPANIES. THE POTENTIAL FOR AMERICAN

PARTICIPATION IN PROJECTS IN KUWAIT HAS ALWAYS BEEN SUBSTANTIAL BECAUSE OF THE RECOGNIZED REPUTATION OF AMERICAN FIRMS AND A GENERAL KUWAITI PREFERENCE AND RESPECT FOR AMERICAN EXPERTISE AND COMPETENCE. IT WOULD BE MOST REGRETTABLE IF THE PERFORMANCE OF SANGAMO AND JOHNSON BROTHERS ON THESE TWO IMPORTANT PROJECTS WERE TO HARM FUTURE OPPORTUNITIES FOR OTHER AMERICAN FIRMS.

6. ACTION REQUESTED: THAT AN APPROPRIATE SENIOR OFFICIAL IN THE DEPARTMENT OF COMMERCE TELEPHONE THE PRESIDENTS OR OTHER RESPONSIBLE EXECUTIVES OF THE SANGAMO AND JOHNSON BROTHERS CONSTRUCTION COMPANIES TO ACQUAINT THEM WITH THIS SITUATION IN KUWAIT. IN ADDITION TO CONVEYING THE ABOVE MENTIONED

ASSESSMENT OF THEIR COMPANIES' PERFORMANCE, MENTION SHOULD ALSO BE MADE OF THE IMPORTANCE TO THE US BALANCE-OF-PAYMENTS OF AMERICAN PARTICIPATION IN LARGE PROJECTS OVERSEAS AND THE IMPACT THAT THIS PERFORMANCE COULD HAVE ON THE CHANCES FOR OTHER AMERICAN COMPANIES IN KUWAIT, AS WELL AS IN THE REMAINDER OF THE REGION SINCE SUCH NEWS TRAVELS FAST. THESE COMPANIES SHOULD BE ENCOURAGED TO STAFF THEIR OPERATIONS IN KUWAIT WITH COMPETENT AMERICAN MANAGERS INSTRUCTED TO TAKE PROPER ACTION TO IMPROVE THEIR CURRENT PERFORMANCE.

IF THERE IS NO IMPROVEMENT, THE AMBASSADOR HAS BEEN FOREWARNED THAT HE WILL RECEIVE AN OFFICIAL COMPLAINT FROM THE MINISTRY OF PUBLIC WORKS.

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